

Senator Bernie Sanders (I-Vt.)
Feb. 27, 2013
Senate Floor Statement on the
Confirmation of Jacob Lew to the Treasury Secretary

Mr. SANDERS. Madam President, I say to my friend that he is right when he said that I oppose the Lew nomination also. I oppose his nomination for different reasons than he does, and I will speak later on that issue.

From my perspective, at a time when the middle class is disappearing, when we have 46 million people living in poverty, when we have the most unequal distribution of wealth and income since the Great Depression, we need a Secretary of Treasury who is going to stand up for working families and be prepared to take on Wall Street. He needs to be prepared to change our disastrous trade policies, be prepared to defend Social Security, Medicare, Medicaid, and the safety net that is so important to tens of millions of Americans. That is my objection to Mr. Lew.

I agree with my friend from Alabama that deficit reduction is a serious issue. Where we disagree is that I don't believe we balance a budget on the backs of the elderly, the children, the sick, and the poor.

I ask my friend to take a look at the Cayman Islands and Bermuda. Take a look at all the corporations making record-breaking profits and stashing their money in the Cayman Islands. For what purpose? To avoid paying taxes to the U.S. Government.

The Senator and I have met with the parents of young men and women who have died in Iraq and Afghanistan, and that is called patriotism. It is not called patriotism when corporations run to the Cayman Islands to avoid paying their fair share of taxes.

Mr. SESSIONS. Madam President, would the Senator yield?

Mr. SANDERS. I will.

Mr. SESSIONS. With regard to the Senator's views, I am concerned that working Americans are not being fairly recompensed for their work on the American debt. We have gone a long time with no real net improvement in the income, inflation has been higher than wages, and Wall Street is doing fine. It seems as though they win whether things go up or down. I don't have any brief for that crowd. I think the Senator is right to be skeptical about how things are handled on Wall Street, and I salute my friend for being aggressive in that pursuit.

Mr. SANDERS. I thank my friend from Alabama, and with that, I yield the floor.

Mr. SANDERS. I thank the Senator from Alabama for yielding. I also intend to vote against Jack Lew to be our next Secretary of the Treasury but, in fact, for very different reasons than my colleague from Alabama.

Let me begin by stating that I have had the opportunity to speak with Jack Lew in my office on several occasions. It is very clear to me that Jack Lew is a very intelligent person. He is a very serious man. I applaud his many years of public service to our country. Furthermore, I believe that this afternoon he will be confirmed by the Senate. But I have to say that he will not be confirmed with my vote. The reason for that is that at this particular moment in American history, we find ourselves in the most difficult economic moment since the Great Depression.

The reality is--and we do not talk about it too much, the media doesn't talk about it too much, but most people understand--the great middle class of this country is disappearing. Poverty is extraordinarily high. Over 46 million Americans are living in poverty. At the same time, while the middle class collapses and poverty is extraordinarily high, the wealthiest people in this country are doing phenomenally well and we are seeing recordbreaking profits for large corporations.

The question is--given the fact that the Secretary of the Treasury is one of the most important positions in our Government, having enormous powers unto himself in addition to being a key adviser to the President, the question is, Is the new Secretary of Treasury prepared to take on the increasingly powerful oligarchy that controls the economic and political life of our Nation and stand with the working families of America who are being battered and beaten up every single day? I do not believe by any stretch of the imagination that Jack Lew is that person.

This is the economic reality we are confronting today, and this is the economic reality we need a Secretary of Treasury to work with the American people to improve. We have the most unequal distribution of wealth and income of any major country on Earth, worse than at any time since before the Great Depression. Today the wealthiest 400 Americans own more wealth than the bottom half of America--150 million people. Four hundred to 150 million. Do I believe Jack Lew sees this as a serious problem he is going to address? I do not.

Today one family, the Walton family--one of the major welfare beneficiaries in America because they pay their workers such low wages and provide such poor benefits that many of their workers are on Medicaid, food stamps, assisted housing--that one family owns more wealth than the bottom 40 percent of American families. Do I believe Jack Lew is going to say: Wait a minute, that doesn't make sense, we have to change those policies. No, I do not.

Today the top 1 percent owns 38 percent of the wealth in America, which is incredible unto itself. But even more incredible is that the bottom 60 percent own less than 3 percent of the Nation's wealth. This is not only a moral issue, it is not only an economic issue because when you have that kind of wealth and income disparity, working

families are not going to have the money to spend to buy goods and services to create jobs, it is also a political crisis because as a result of Citizens United, this 1 percent can now spend unlimited sums of money to elect those candidates who support their agenda and to create terror

on the floor of the Senate on the part of any Member who is going to vote against their interests. Gee, should I vote to deal with the greed on Wall Street if Wall Street is going to pour millions of dollars against me in my reelection campaign?

Do I believe Jack Lew as Secretary of Treasury is going to begin to address the issues of income inequality and wealth inequality in this country? Not for a second do I believe he will do that.

While the wealthiest people are doing phenomenally well, the Federal Reserve reported last year that median net worth for middle-class families dropped by nearly 40 percent from 2007 to 2010. Can you believe that? It dropped by 40 percent. That is the equivalent of wiping out 18 years of savings for the average middle-class family.

This is even more incredible, and it is absolutely important. I get tired of being one of the very few people up here who talk about it. I hope there will be some other Senators who will talk about what is, in fact, one of the major issues facing this country--income and wealth inequality.

In terms of income, here is a fact that is literally beyond comprehension. The last study on this subject showed that from 2009 through 2011, 100 percent of all new income went to the top 1 percent. All of the new income generated went to the top 1 percent, while the bottom 99 percent--those include some pretty wealthy people--actually saw a loss in their income. What that tells us is that it almost doesn't matter that economic growth now is obviously low. It is not as high as we want it, but it almost doesn't matter because all of the new income generated by this economic growth is going to go to the top 1 percent. Do I think this is an issue Jack Lew is going to address? No, unfortunately, I do not.

Real unemployment in this country is not what the papers report--7.8 or 7.9 percent. Real unemployment is over 14 percent if we count those people who have given up looking for work or who are working part time when they want to work full time--some 23 million people. Have I heard one word from Jack Lew about the need to come up with programs to put millions of people back to work immediately, including the young people whose unemployment rate is higher than that of the general public or people of color who are also economically suffering? I have not.

Millions of people are still underwater on their mortgages, and millions more have seen the American dream of home ownership turn into a nightmare of foreclosure.

The next Secretary of Treasury will be facing enormous challenges. Let me mention just a few. The next Secretary of Treasury will play a central role in regulating and overseeing Wall Street and large financial institutions. Let's never forget that as a result of the greed, recklessness, and illegal behavior on Wall Street, millions of Americans lost their jobs, their homes, their life savings, and their ability to send their kids to college. That is all attributable to the greed and recklessness and illegal behavior on Wall Street.

We need a Secretary of Treasury who does not come from Wall Street but is prepared to stand up to the enormous power of Wall Street. We need a Treasury Secretary who will end the current business model of Wall Street, which is operating the largest gambling casino this world has ever

seen, and demand that Wall Street start investing in a productive economy where businesses actually produce real goods and services and create jobs. Do I believe Jack Lew is going to be doing that? No, I do not.

In my view, we need a Secretary of the Treasury who will understand that when the largest banks in this country have become even larger, it is time to break them up. Do I believe Jack Lew will work to break up these huge financial conglomerates? No, I do not.

Today the 10 largest banks in America are bigger than they were before the financial crisis began. You may remember that we bailed out Wall Street because they were too big to fail;

that if these banks went under, they would take a significant part of the American and world economies with them and the taxpayers of this country had to bail them out. Now we find that every single one of the top 10 financial institutions today is larger than they were when we bailed them out some years ago because they were too big to fail.

Today the six largest financial institutions in this country--JPMorgan Chase, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, and MetLife--have assets equal to two-thirds of the GDP of this country--over \$9.6 trillion. Six financial institutions have assets equal to two-thirds of the GDP of the United States of America. These six financial institutions issue two-thirds of all of the credit cards, half of all of the mortgages, control 95 percent of all derivatives, and hold nearly 40 percent of all bank deposits in this country.

Do I think this issue--this concern--is something Jack Lew will address? Not in a million years. While millions of Americans continue to struggle through the worst economic crisis since the 1930s, Wall Street is doing phenomenally well today. They caused the recession, we bailed them out, and now they are doing phenomenally well. Financial institutions made over \$143 billion in profits in 2012. It was the most profitable year on record with the exception of 2006, just before the economic meltdown. Incredibly, the financial industry now makes almost half of all nonfarm corporate profits in the United States--up from about 10 percent in 1947.

As someone who has worked hard to elect Barack Obama on two occasions, I remain extremely concerned that virtually all of his key economic advisers have come from Wall Street, and Jack Lew is no exception to that.

Let me be clear. It is not just because Mr. Lew served as a chief operating officer at Citigroup during the financial crisis; it is not just because Citigroup awarded Mr. Lew a \$940,000 bonus as he was leaving to join the State Department; it is not just because Citigroup received a total of \$2.5 trillion in virtually zero-interest loans from the Fed or that the Treasury Department provided Citigroup with a bailout of more than \$45 billion during Mr. Lew's tenure at Citigroup; I am opposed to Mr. Lew's nomination because of the views he now holds about Wall Street and the financial bailout.

On September 22, 2010, when I asked Mr. Lew at a Budget Committee hearing if he believed deregulation of Wall Street significantly caused the crisis--something that almost all economists agree with--here is what he said:

I don't believe that deregulation was the proximate cause. I would defer to others who are more expert about the industry to parse it better than that.

At his confirmation hearing at the end of this month, Jack Lew called the Glass-Steagall Act ``anachronistic," and said that the Dodd-Frank Act had ``effectively" dealt with the issue of too big to fail. I could not disagree more.

In my view, we don't need another Treasury Secretary who thinks that the deregulation of Wall Street did not significantly contribute to the financial crisis. We need someone who will stand up to these huge financial institutions on behalf of the American people, small businesses, and working families and say enough is enough: Wall Street, you cannot continue to operate the way you are.

The next Treasury Secretary will be the lead negotiator for the President on how to reduce the deficit, an issue we are all concerned about. Here is the issue: Do we balance the budget by cutting Social Security, Medicare, Medicaid, education, nutrition, and programs that middle-income and working families depend upon? We could do it that way. *Paul Ryan*, chairman of the House Budget Committee, will come up with that proposal, and it will mean huge suffering for tens and tens of millions of families who are already hurting. That is one way we could do deficit reduction.

First of all, I think that approach is way out of touch with what the American people want. The American people have been very clear: They do not want cuts in Social Security, they do not want to cut veterans programs, and they do not want to cut Medicare or Medicaid.

The American people have also been clear that at a time when the wealthiest people and largest corporations are doing phenomenally well, when their effective tax rates are the lowest in decades, when they enjoy huge loopholes that enable them to avoid paying their vast share in taxes, the American people say: Those guys have got to start paying their fair share.

All of us will remember a few years ago when Wall Street was on the verge of collapse because of their greed and recklessness. They came crawling to the Congress and the taxpayers of America and said: We are Americans; we love America; bail us out. Congress--against my vote--bailed them out.

Now these same corporations that told us how much they love America are not only shipping our jobs to China and other countries, they are stashing their profits in the Cayman Islands, Bermuda, and other tax havens and avoiding their responsibility as taxpayers. Offshore tax schemes have become so absurd that one five-story office building in the Cayman Islands is now the home to more than 18,000 corporations. Everybody knows what that is about. All that is is a mail drop for corporations. They don't exist there; they are just using that address as a means to avoid paying taxes to the United States and other countries.

Let me give a few examples of some of these large corporations and what they have done to avoid paying American taxes at a time when revenue today, as a percentage of GDP, is almost at the lowest it has been in decades. The choice is to cut Social Security, Medicare, and Medicaid,

or ask enormously profitable corporations to stop using loopholes to avoid paying taxes. I will give just a few examples, although I could give many examples.

In 2010, the Bank of America--one of the largest financial institutions in this country, an institution bailed out by the working families of this country when they were on the verge of collapse--set up more than 200 subsidiaries in the Cayman Islands, which, by the way, has a corporate tax rate of zero, so they can avoid paying U.S. taxes. How is that? We bail them out, they run to the Cayman Islands, set up 200 separate subsidiaries in order to avoid paying taxes to America. It is time for Congress and it is time for the Secretary of Treasury to address that issue. In a million years do I think Jack Lew is prepared to do that? No, I don't. We need a Secretary of Treasury who will do that.

Not only did the Bank of America pay nothing in Federal income taxes, but in 2010 it received a rebate from the IRS worth \$1.9 billion that year. They pay nothing in taxes, they are enormously profitable, they were bailed out by the

American people, and then they get a rebate from the IRS for almost \$2 billion. Then people say: We don't have enough revenue; we have to cut Social Security; we have to cut nutrition programs for hungry children. Yet when one of the largest financial institutions in the country gets a rebate and doesn't pay any taxes, at least for some of my colleagues, that is okay.

In 2010, JPMorgan Chase operated 83 separate subsidiaries incorporated in offshore tax havens to avoid paying some \$4.9 billion in U.S. taxes. That same year Goldman Sachs operated 39 subsidiaries in offshore tax havens to avoid an estimated \$3.3 billion in U.S. taxes. Citigroup--where Mr. Lew actually worked--has paid no Federal income taxes for the last 4 years after establishing 25 subsidiaries in offshore tax havens. On and on it goes.

Wall Street, which was bailed out by the American workers, caused the recession, is now enormously profitable. Its CEOs get huge compensation packages, but when it comes to paying their taxes, suddenly they love the Cayman Islands. My suggestion is that the next time these crooks destroy their banks and need to be bailed out, let them go to the Government of the Cayman Islands to get their bailout and not the taxpayers of the United States of America.

Let me conclude by talking about trade for a moment because the Secretary of the Treasury gets involved heavily in trade issues. Trade is not a sexy issue, but it is an enormously important issue. I think it is important for all of us to understand that our current, unfettered, free-trade policy has been an unmitigated disaster for the working people of this country. Last year our trade deficit was more than \$540 billion. Permanent normal trade relations with China--remember when that came up? Oh, my goodness, we are going to open up the Chinese market, we are going to create all kinds of jobs in the United States, we are going to sell all of our products to the large population in China. Well, not quite. Not quite. PNTR with China led to the loss of nearly 3 million American jobs, and the NAFTA agreement led to the loss of nearly 1 million American jobs as large multinationals continue to throw American workers out on the street and move to China, Mexico, and other countries where workers are paid pennies an hour.

In 2008, I supported then-Senator Barack Obama when he told the AFL-CIO in Philadelphia the following:

What I refuse to accept is that we have to sign trade deals like the South Korea Agreement that are bad for workers. What I oppose--and what I have always opposed--are trade deals that put the interest of multinational corporations ahead of the interests of American workers--like NAFTA, and CAFTA, and permanent normal trade relations with China. And I'll also oppose the Colombia Free Trade Agreement if President Bush insists on sending it to Congress because the violence against unions in Colombia would make a mockery of the very labor protections that we have insisted be included in these kind of agreements. So you can trust me when I say that whatever trade deals we negotiate when I'm President will be good for American workers, and they'll have strong labor and environmental protections that we'll enforce.

That was Barack Obama, candidate for President in 2008. Unfortunately, President Obama signed those bad trade deals into law while Mr. Lew was the Director of the Office of Management and Budget. As a result, more American jobs have been lost and our trade deficits for all of those countries have gone up. In my view, we need a Secretary of Treasury who will work to fundamentally rewrite our trade policies to ensure that American jobs are no longer our No. 1 export. Do I believe Jack Lew will be that person? Not a chance.

I will conclude by simply saying this: This country faces the most difficult economic times since the Great Depression. Tens of millions of working families, seniors, and children are struggling every single day to keep their heads above water while the wealthiest people are doing phenomenally well and large multinational corporations are enjoying record-breaking profits.

Because of all the money Wall Street and these large profitable corporations have, they are investing in the political process, putting in huge amounts of money--hundreds and hundreds of millions of dollars--to elect candidates who will represent their interests and not the interests of the average American.

Now is the time to have people in the Obama administration who are going to stand with the American people, stand with workers, stand with seniors, and have the courage to take on the big money interests that are causing so many problems for our Nation. In my view, Jack Lew is not that person and I will vote against him becoming our next Secretary of Treasury.

With that, I yield the floor.